

House of Commons

Digital, Culture, Media and Sport Committee

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REPORT: Promoting Britain Abroad

Damaging Government action hindering tourism's post-pandemic recovery, DCMS Committee warns

- Removal of tax-free shopping for tourists 'short-sighted and incredibly damaging'
- Short-lived revival before U-turn highlights inadequacy of Treasury's analysis
- Reduction in marketing spend and new barriers to visitors demonstrates failure to recognise industry's value

The removal of tax-free shopping for visitors from abroad was 'both short-sighted and incredibly damaging' to UK tourism, MPs say today, with the decision to reinstate it then remove it again illustrative of the lack of thought given to the industry by the Government.

In a Report on how tourism can recover from the Covid pandemic, the DCMS Committee concludes that Government policies have made the industry's job harder rather than easier, by making it more difficult for visitors to visit and less likely to spend.

The Report also warns that the inbound tourist sector is too reliant on London and that there is a 'worrying' lack of money for marketing. Overall, the Committee believes that the Government fails to recognise the value of the inbound tourism industry - the UK's third largest service export, worth 9% of GDP, and on which 3.2 million jobs and more than 200,000 SMEs depend.

The initial decision to abolish VAT-free shopping for all tourists following Brexit was reversed in then Chancellor Kwasi Kwarteng's fiscal event on 23 September with the announcement of a new digital, VAT-free shopping scheme. This was then scrapped by new Chancellor Jeremy Hunt last week.

The Committee is critical of the lack of analysis at each stage of decision making, agreeing with the industry that better analysis of the indirect benefits would show that its costs would be far outweighed by the revenue it would generate and increased visitor numbers.

Chair of the DCMS Committee Julian Knight MP said: *"The scrapping of tax-free shopping for overseas visitors has been a spectacular own goal from the Government, with the subsequent on-again off-again flip-flopping symptomatic of an approach that lacks thought and recognition of the huge importance of retail to inbound tourism. Taking such decisions without the full facts is no way to make policy and has already harmed the industry on which so much of our economy depends.*

In an increasingly competitive global market, Britain cannot just rely on its reputation alone to attract visitors. It must make it easier for people to travel and access the full range of outstanding attractions all over the country. But right across the board - from abolishing tax-free shopping and banning the use of ID cards for young visitors to its complacency on marketing budgets- the Government have hindered rather than helped tourism recover from the pandemic. Ministers must now wake up to the voice of the industry and finally recognise its value."

Main findings and recommendations

Government policy

- The decision to withdraw from the VAT Retail Export Scheme has been a ‘spectacular own goal’ and signals that the Government does not recognise the significance of retail to the sector. After committing once again in the fiscal event to introducing tax-free shopping for inbound visitors, the decision was then reversed by the Government less than a month later. That no new analysis was provide demonstrates the ‘paucity of thought’ associated with the policy changes. The Government should publish an assessment of the direct and indirect impact of withdrawing from the scheme.
- The decision to ban children and young people from using ID cards to visit Britain is having a ‘crippling effect’ on businesses who rely on such visits. The Government should allow under 18s, travelling as part of a supervised educational and/or cultural group visit, to enter the UK on a single group ID card.
- The Government’s strategy of agreeing bilateral arrangements with EU member states for performers touring the EU is failing to address the industry’s needs. The Government should negotiate an agreement with the EU to provide a single-entry document for performers to submit to any EU country they wish to visit.

Strategy

- The Government should work with the creative industries at a strategic level to establish a creative industries export office, bringing together officials from across government.
- The Committee heard how many visitors are unaware of attractions outside of London or believe that other destinations are too far or too difficult to travel to. VisitBritain should continue its work with the industry to showcase all regions of the UK, focusing on addressing perceived and actual travel barriers.

Resources

- Though staffing shortages in the industry have been exacerbated by the pandemic, there is a long-term problem. The Government should introduce a temporary recovery visa for industries where there are labour and skills shortages.
- The Government should increase VisitBritain’s marketing budget, with ringfenced funding for promoting regional destinations.

Leadership

- It is unacceptable that the Government took 11 months to respond to the de Bois review of Destination Management Organisations and in such a half-hearted fashion. The Government must commit to implementing the recommendations in full.
- The Government should make the post of Tourism Minister a full-time position.

ENDS

Note to editors:

The DCMS Committee scrutinises the spending, policies and administration of the government Department for Digital, Culture, Media and Sport. We are not a government committee but a select committee of the House of

Commons with a key role in holding ministers to account. Any of our inquiries would correctly be described as a 'parliamentary inquiry'.

Further information:

Committee membership:

Julian Knight MP (Chair) (Conservative, Solihull); Kevin Brennan MP (Labour, Cardiff West); Steve Brine MP (Conservative, Winchester); Clive Efford MP (Labour, Eltham); Julie Elliott MP (Labour, Sunderland Central); Rt Hon Damian Green MP (Conservative, Ashford); Rupa Huq MP (Independent, Ealing Central and Acton); Simon Jupp MP (Conservative, East Devon); John Nicolson MP (Scottish National Party, Ochil and South Perthshire); Jane Stevenson MP (Conservative, Wolverhampton North East); Giles Watling MP (Conservative, Clacton).

Media queries to Oliver Florence florenceo@parliament.uk / 07720 202985; Billy

Roberts robertsbc@parliament.uk / 020 7219 6113/ 07734 228621

Visit the [DCMS Committee website](#)

Committee Twitter: [@CommonsDCMS](#)

Specific Committee Information: dcmscom@parliament.uk/ 020 7219 6188.

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